

California

# Dairy Review

*A publication serving the California dairy industry for over 12 years*

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## U.S. Dairy Export Council Report

# 2007 U.S. Dairy Product Exports Continue Upward Growth

The year 2007 recorded the fifth year in a row that commercial dairy exports increased in both volume and value. Exports of milk powder, cheese, whey, lactose, butterfat and other dairy products were valued at \$3.06 billion in 2007: that is up 62 percent from 2006. The U.S. Dairy Export Council reports that the volume of milk solids exported in 2007 was 2.19 billion pounds — more than double the export volume of five years ago.

**Percent Volume of U.S. Product Exported, by Destination, by Product, 2007**

Export Destination	Nonfat Dry Milk	All Dry Whey	Cheese	Butter	Fluid Milk & Cream
North America	29.64%	38.20%	43.23%	15.10%	94.37%
Caribbean	1.04%	1.07%	6.53%	2.09%	4.02%
Central America	0.94%	1.80%	4.01%	1.19%	0.18%
South America	0.91%	3.93%	2.47%	0.30%	0.15%
Europe	3.96%	4.40%	6.96%	43.48%	0.02%
Middle East/N.A.	15.65%	1.91%	8.11%	33.88%	0.00%
Far East	44.91%	46.34%	25.91%	2.07%	1.01%
South Asia	2.18%	1.20%	0.01%	0.02%	0.00%
Oceania	0.09%	0.70%	2.41%	1.63%	0.25%
Sub-Saharan Africa	0.68%	0.45%	0.36%	0.24%	0.00%

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California Department of Food and Agriculture  
A.G. Kawamura, Secretary

# Production, Prices, Quota Transfers, Alfalfa

## February Milk Production

Milk production in California for February 2008 totaled 3.33 billion pounds, up 5.7 percent from February 2007. USDA's estimate for U.S. milk production for February 2008 in the 23 major dairy states is 13.9 billion pounds, up 6.0 percent from February 2007. Production per cow in the 23 major states averaged 1,653 pounds for February, 69 pounds above February 2007. ☀

## Minimum Class Prices

Statewide average hundredweight prices

Class	Feb.	Mar.	Apr.
1	\$21.84	\$19.03	\$20.06
2	\$18.58	\$18.58	N/A
3	\$18.42	\$18.42	N/A
4a	\$14.28	N/A	N/A
4b	\$17.54	N/A	N/A

## Federal Order and California Minimum Class 1 Prices

Average Hundredweight Prices

Regions	Feb.	Mar.	Apr.
Phoenix, Arizona	\$22.03	\$19.05	N/A
Southern California	\$21.98	\$19.17	\$20.19
Portland, Oregon	\$21.58	\$18.60	N/A
Northern California	\$21.71	\$18.90	\$19.92
Boston (Northeast)	\$22.93	\$19.95	N/A

## Quota Transfer Summary

For February 2008, three dairy producers transferred 1,124 pounds of SNF quota. February quota sales averaged \$527 per pound of SNF (without cows), average ratio of 2.48. For March 2008, four dairy producers transferred 8,519 pounds of SNF quota. March quota sales averaged \$513 per pound of SNF (without cows), average ratio of 2.47. ☀

## Alfalfa Update: March

Northern California: Premium and Supreme alfalfa were steady with light test, good demand and very light supplies. Fair and Good alfalfa was steady in a limited test with good demand and light supplies. Retail and Stable hay was steady with good demand and supplies light. Anticipated rain showers didn't bring the moisture growers hoped for. Sacramento valley growers will be laying down hay first week of April.

Southern California: Supreme and Premium alfalfa was steady in a limited test with good demand but light supplies. The end of the month brought more availability of this hay in the stack. Fair and good alfalfa was not well tested. Retail and stable hay was steady with good demand and light supplies. Weather has been good for hay production. Most producers have finished first cutting and will be laying hay down again in early April. ☀

## Supreme Hay Prices

Statewide average prices per ton

Area	2/29	3/7	3/14	3/21
Petaluma	N/A	N/A	\$242	N/A
North Valley <sup>1</sup>	\$260	N/A	\$250-255	\$255-265
South Valley <sup>2</sup>	\$253-268	\$260-270	\$260-275	\$264-278
Chino Valley	\$240	N/A	\$256-260	\$240-256

<sup>1</sup>North Valley is Escalon, Modesto and Turlock areas.

<sup>2</sup>South Valley is Tulare, Visalia and Hanford areas.

## Alfalfa Hay Sales/Delivery

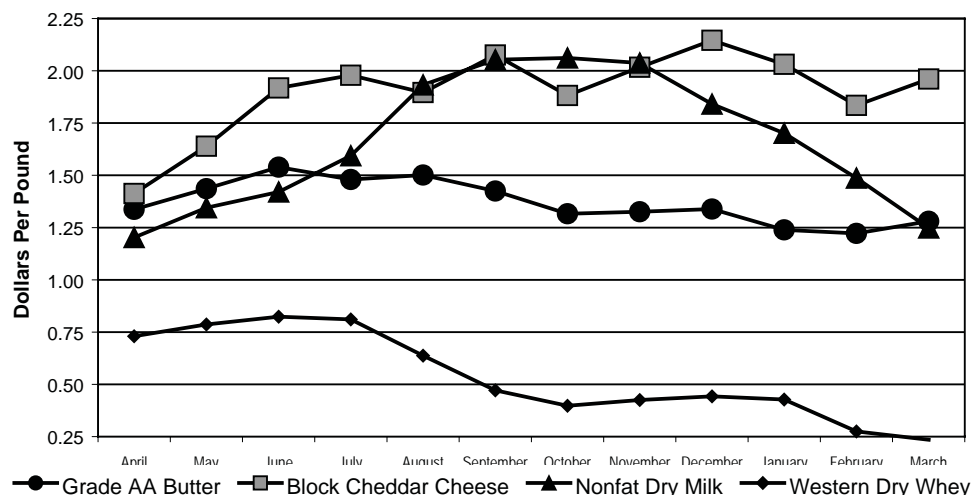
	February	March
Tons Sold <sup>1</sup>	56,476	88,783
Tons Delivered <sup>2</sup>	27,150	32,185

<sup>1</sup> For current or future delivery.

<sup>2</sup> Contracted or current sales.

Alfalfa hay sales, deliveries and Supreme quality prices per ton, delivered to dairies, as reported by the USDA Market News Service, Moses Lake, WA, (509) 765-3611, <http://www.ams.usda.gov/marketnews.htm>

## Grade AA Butter, Block Cheddar Cheese, Nonfat Dry Milk, and Western Dry Whey Mostly Prices Used in the Calculation of California Class 1 Milk Prices




## The Irrigated Lands Regulatory Program

The Central Valley Regional Water Quality Control Board is conducting workshops to gather comments on the program elements and environmental information that should be considered in the development of a long-term program. These workshops will discuss how groundwater monitoring might be implemented, a major change in the program that will affect valley farmers. Other changes for discussion include establishing different requirements for different types of agricultural operations and/or geographic areas. A few examples of potential subcategories are: small operations, organic farms, irrigated and/or non-irrigated pastureland, nurseries, and wetlands. Also, consideration of various regulatory approaches, such as use of management practice requirements, technology performance standards, narrative or numeric water quality-based limits, or a combination of these, will be discussed.

Dates and times are listed below, however, some of these workshops will have already taken place by the time this publication goes to press.

The meetings will in Sacramento on March 26 at the Regional Water Quality Control Board office, 11020 Sun Center Drive, Suite 200, Rancho Cordova, 1p.m. to 3:30 p.m.; in Modesto on April 1 at the Stanislaus County Ag Center, Harvest Hall, 3800 Cornucopia Way, Modesto, 6 p.m. to 8 p.m.; in Tulare on April 2 at the Heritage Complex, 4500 South Laspina Street, Tulare, 6 p. m. to 8 p.m.; and in Durham on April 8 at the Memorial Hall, 9319 Midway, Durham, 6 p.m. to 8 p.m.

Workshop materials are available at: [http://www.waterboards.ca.gov/centralvalley/public\\_notices/#IrrLands](http://www.waterboards.ca.gov/centralvalley/public_notices/#IrrLands) or from the Regional Water Board office at 11020 Sun Center Drive, #200, Rancho Cordova, CA, 95670-6114. Contact Susan Fregien at (916) 464-4813 or [sfregien@waterboards.ca.gov](mailto:sfregien@waterboards.ca.gov), or contact Joe Karkoski at (916) 464-4668 or [jkarkoski@waterboards.ca.gov](mailto:jkarkoski@waterboards.ca.gov).


To receive notifications regarding development of the Long-term ILRP, subscribe to the "Irrigated Lands Regulatory Program" mail-ing list at [www.waterboards.ca.gov/lyrisforms/reg5\\_subscribe.html](http://www.waterboards.ca.gov/lyrisforms/reg5_subscribe.html). 

## California Dairy Cow Thefts

The Bureau of Livestock Identification at the California Department of Food and Agriculture reports that from May to November of last year, 807 head of cattle and calves were reported missing or stolen in California, up from 602 during the same period in 2006. In the past decade, more than 16,000 head of cattle and calves worth more than \$9 million have been reported missing and stolen from California farms and ranches.


A recent case in point: William Cantone was a herdsman and had significant control of the cattle at Schaafsma Dairy, a ranch that cares for cows used at S&H Dairy. S&H is co-owned by the Schaafsma and Hilaredes families. One or two at a time, Cantone slipped cows off the Oakdale ranch where he worked for more than 20 years and sold them at an Escalon sales yard. From 2006 to 2007, he sold 44 cows. Most were pregnant.

The value of the cows Cantone took has not been determined, but he has been ordered to pay restitution and a \$200 fine. Cantone also was sentenced to 90 days in jail, which he is scheduled to begin serving April 18. Then he'll be on probation for three years, the maximum punishment for cattle theft.

"As we solve these cases, we often find that either an employee or a neighbor is involved," said Greg Lawley, chief of livestock identification at the California Department of Food and Agriculture's Bureau of Livestock Identification. 

## Fuel-Related Thefts On the Rise

Record high prices of gas and diesel fuels have escalated the problem of fuel theft on dairy farms in California. Deputy Tom MacKenzie, Merced County Sheriff's Department spokesman, said "With the price of gas increasing, more and more people are tempted to steal from farmers, shipping companies, gas stations and even from private vehicles."

MacKenzie noted that last year in Merced County alone there were 84 fuel theft reports. In 2008, there have already been 13 fuel theft incidents and the total number of gallons stolen this year is significantly higher compared with last year at this time. It was noted that thieves have become "very creative," using vehicles with large tanks and electronic pump systems to quickly drain the tanks of parked big rigs or the fuel storage tanks on area farms or ranches. Rural farmers and landowners who store and use large amounts of fuel in tractors, trucks and farm equipment may want to step up their anti-theft practices. 

## Appeals Court Renders Decision

Confirming a previous Fresno Superior Court decision, the District Court of Appeals held that under California law, all milk packaged or processed by a processing firm must be included in a statutorily mandated pricing “pool” to ensure that all milk producers receive an adequate return on their products, even if the processor and producer of the milk is the same entity. For example, a dairy firm that produces all the milk it processes in its processing plant from its own herd is not exempt from the regulated price structure for milk purchasing. The original trial court found that there was no requirement that a processor receive milk from another entity in order to be a “handler” and subject to the statutory pooling requirements. It also held that the applicable statutes apply to all market milk without differentiating between raw, organic milk and pasteurized milk.

Pursuant to its authority under the California Milk Stabilization and Marketing Act, the California Department of Food and Agriculture established minimum prices that certain milk processors, or “handlers,” must pay milk producers for milk, based upon the final product into which the milk is made.

The Department determined that that Organic Pastures owed an obligation to the pool, as well as various fees and assessments. After Organic Pastures failed to pay, the Department filed suit. Organic Pastures argued that it was not a handler because it produced all of the milk it processed and because of the special constraints under which firms that produce and process organic, unpasteurized milk and milk products operate. ☀

## Milk-Feed Ratio Decline Continues

USDA announced that the milk-feed ratio for February was 2.36. That is a 0.3-point loss from the January revised ratio of 2.66. It is slightly higher than a year ago (0.03 points higher).

The USDA used an all-milk price of \$19.30 to calculate the February ratio. That is \$1.20 less than the January all-milk price. However, it is still \$4.40 higher than a year ago.

On the feed side, prices were mostly higher than January. The corn price used to calculate the ratio increased 28 cents to \$4.25 per bushel. That is 81 cents higher than a year ago. The cost of soybeans increased \$1.04 to \$11 per bushel. That is \$4.13 more than a year ago. Baled alfalfa hay increased \$3 in price to \$138 per ton. That is up \$23 per ton versus a year ago. ☀

## National Dairy Situation and Outlook – USDA Estimates

### Milk Production and Cow Numbers

Monthly: Compared to 2007, USDA estimates that overall milk production across the U.S. was up 5.5% in February, led by Texas’ 16.0% growth in milk production (on 30,000 more cows and 145 more pounds per cow). USDA reports that California’s milk production was up 5.5% on 45,000 more cows and 50 more pounds per cow compared to February 2007. Among the western states, Arizona was up 7.4%; New Mexico up 12.0%; and Washington was up 7.9%. None of the top 10 states reported a production decrease.

Quarterly: For the fourth quarter of 2007 compared to the third quarter of 2007, U.S. milk cow numbers increased to 9.198 million, production per cow decreased 30 pounds per cow; the net effect was decreased milk production to 46.0 billion pounds. USDA projects that for the first quarter of 2008 compared to the fourth quarter of 2007, U.S. milk cow numbers will increase to 9.240 million cows, production per cow will be up 180 pounds per cow; the net effect would be decreased milk production to 48.0 billion pounds.

### Milk Prices

Comparing the fourth quarter of 2007 to the third quarter of 2007, U.S. average milk prices were up to \$21.60/cwt. USDA projects that for the first quarter of 2008, U.S. average all-milk prices will be \$19.15-19.35/cwt.; Class 4b prices will be \$17.99-18.19/cwt; and Class 4a prices will be \$14.88-15.18/cwt.

### Utility Cow Prices

Comparing the fourth quarter of 2007 to the third quarter of 2007, average U.S. utility cow prices were down \$4.60/cwt. to a national average of \$49.40/cwt. USDA projects that utility cow prices will average \$50-51 in the first quarter of 2008.

Information from the USDA-NASS publication “Milk Production” and the USDA-ERS publication: “Livestock, Dairy, and Poultry Outlook.” ☀



## Shortage of Large-Animal Veterinarians


Farmers and ranchers across the country are reporting a shortage of large-animal veterinarians. In addition to caring for livestock and pets, veterinarians monitor and inspect a large portion of the food supply and work as disease researchers.

Many states recognize the critical need and are approving or considering bills to provide tuition reimbursement or scholarships to veterinarians who agree to work in underserved areas. According to the National Conference of State Legislatures, eight states have implemented loan forgiveness programs for veterinarians who agree to work in underserved areas, and eight others are considering similar programs.

Recent studies for the American Veterinary Medical Association indicate that demand for veterinarians nationally will increase by as much as 14 percent by 2016 but the shortfall will remain 4 to 5 percent annually. The nation's 28 veterinary schools graduate about 2,500 veterinarians annually, a number that hasn't grown for at least a couple of decades.

Federal support has been slow to come. Veterinary groups have been pushing federal legislation that would award \$1.5 billion in competitive grants so schools could expand.

The Veterinary Medical Service Act, signed into law by President Bush in 2003, has been delayed by the rule-making process. It would provide tuition reimbursement to veterinarians who agree to work in underserved areas, whether the shortage is a rural area, discipline or government agency. So far, nearly \$1.9 million has been appropriated for it.

USDA officials have committed to working with Congress to find ways to speed and streamline the rule-making process to aid the private veterinary sector. 


## U.S. Dependence On Corn

A recent article in the Los Angeles Times reported that increasing dependence on corn could leave the U.S. vulnerable to drought-induced price spikes in food and fuel.


As corn is now a medium for ethanol production, it becomes a major component of auto fuel. In addition, corn is a feed staple for many farm animals and is a feed additive for many consumer food products.

The Los Angeles Times article noted that economists are cautioning that the nation's growing dependence on corn would make for a double jolt in the event of a drought across the Midwest: soaring prices not just for food but also for gasoline.

Corn prices have risen an additional 20% in 2008 because of global demand for livestock feed, sweeteners and ethanol. The rush by American farmers to forgo other grains to plant cash-producing corn, along with weather problems, has squeezed wheat supplies, pushing the price of that grain up 21%. Soy has risen 25% this year.

Analysts are estimating that if a drought hit the corn belt this summer, corn could reach \$8 a bushel from \$5.46 now. The next drought will be the first to affect gas prices because ethanol -- mostly refined from corn -- will make up about 6% of the nation's gasoline supply this year, and that's expected to rise to 10% over the next five years. The amount of ethanol used in California gasoline is expected to grow at a faster rate, reaching 10% by 2010. 

## Corn Prices Higher Than 2006/07 . . .

The Economic Research Service March report noted that corn prices will range from \$3.75 to \$4.25 per bushel for 2007/2008. That's up from \$3.04 per bushel in 2006/07. 

## USDA Projections With Strong Corn-Based Ethanol Production

These USDA projections are not intended to be a Departmental forecast of what the future will be, but instead are a description of what would be expected to happen under a continuation of current farm legislation, with very specific external circumstances. The projections were prepared in October through December 2007 and reflect a composite of model results and judgment-based analyses. Normal weather is assumed and it is assumed no further outbreaks of plant or animal diseases.

Strong expansion of corn-based ethanol production affects virtually every aspect of the field crops sector, ranging from domestic demand and exports to prices and the allocation of acreage among crops. Additionally, steady U.S. and global economic growth assumed in the projections provides a favorable setting for other uses of field crops, which, following the initially large ethanol expansion, supports longer run increases in consumption and trade and keeps prices at historically high levels.

For the complete projections report, go to:  
<http://www.ers.usda.gov/Publications/OCE081/OCE20081a.pdf>

### Key results in the projections include:

U.S. aggregate indicators

- Although net farm income initially declines from high levels of 2007 and 2008, it is projected to remain historically strong throughout the projection period, and reach record levels beyond 2011. Growth in export demand contributes to increases in agricultural commodity prices and gains in farm cash receipts. Increases in corn-based ethanol production also provide a major impetus for this strong income projection. Higher commodity prices lower government payments for price-dependent program benefits, although annual CRP payments increase. With lower government payments, the agriculture sector relies increasingly on the market for its income. Cash receipts represent more than 90 percent of gross cash income in the projections, up from about 85 percent in 2005.
- The value of U.S. agricultural exports rises in the projections as steady global economic growth and stronger world trade lead to gains for U.S. agricultural export volumes and higher commodity prices. The lower value U.S. dollar is also an important factor underlying recent export gains and the projected growth. Additionally, higher commodity prices due to expansion of global biofuel demand contribute to the projected gains in export values. Increases in U.S.

consumer income and demand for a large variety of foods underlie continued strong growth in U.S. agricultural imports.

- For most of the projections period, consumer food prices increase less than the general inflation rate. However, adjustments in retail prices due to higher energy and agricultural commodity prices lead to food price increases somewhat larger than general inflation in 2008 and 2009. Relatively large price increases are expected in 2008 for fats and oils and for cereals and bakery products, reflecting higher prices for vegetable oils and wheat. Consumer expenditures for food away from home continue to grow in importance and account for more than half of overall foodspending during most of the projection period.

### USDA Long-term Projections

- Strong expansion of corn-based ethanol production in the United States affects virtually every aspect of the field crops sector, ranging from domestic demand and exports to prices and the allocation of acreage among crops. A higher portion of overall plantings is allocated to corn. Higher feed costs also affect the livestock sector, mitigated somewhat by the increased availability of distillers grains.
- Ethanol production in the United States continues its strong expansion through 2009/10, with slower growth in subsequent years. By the end of the projections, ethanol production exceeds 14 billion gallons per year, using almost 5 billion bushels of corn. The projected large increase in ethanol production reflects the energy Policy Act of 2005, State programs, ongoing ethanol plant construction, and economic incentives provided by continued high oil prices. Feed use of corn declines in the initial years of the projections and then rises only moderately as increased feeding of distillers grains helps meet livestock feed demand, particularly for beef cattle.
- Growth in the food use of wheat is projected to match the rate of population increase. Feed use of wheat rebounds from the low levels of 2006/07 and 2007/08 as higher corn prices encourage increases in wheat feeding. Wheat feeding then levels off as wheat prices relative to corn stabilize.
- Soybean acreage falls in the projections after 2008 due to more favorable returns to corn production. Longrun growth in domestic soybean crush is mostly driven by increasing demand for domestic soybean meal for livestock feed. Some gains in crush also reflect increasing domestic soybean oil demand for biodiesel production.



- U.S. Milk production during February was up 5.5%
- The number of cows on farms was 9.248 million head, up 112,000 head
- Production per cow averaged 1,634 pounds, 70 pounds more than February 2007
- Three of the top twenty-three milk producing states showed a decrease in milk production

***Milk Production Cost Comparison Summary for California <sup>1/</sup>***  
***By Quarter, 2006-2007***

\* Includes an allowance for management and a return on investment

## Pool Prices

Month	Quota	Overbase
August '06	\$12.13	\$10.43
September	\$12.80	\$11.10
October	\$12.87	\$11.17
November	\$13.31	\$11.61
December	\$13.50	\$11.80
January '07	\$13.70	\$12.00
February	\$14.45	\$12.75
March	\$15.28	\$13.58
April	\$16.33	\$14.63
May	\$18.29	\$16.59
June	\$20.70	\$19.00
July	\$21.60	\$19.90
August	\$21.74	\$20.04
September	\$21.69	\$19.99
October	\$21.16	\$19.46
November	\$21.93	\$20.23
December	\$20.79	\$19.09
January '08	\$19.14	\$17.44
February	\$18.42	\$16.72

## Milk Mailbox Prices

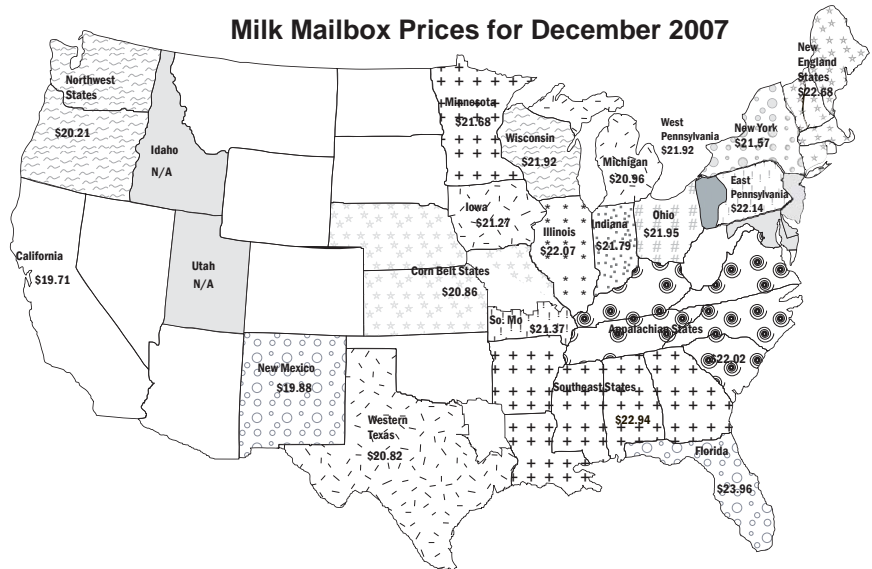
### Milk Mailbox Prices in Dollars per Hundredweight

	June	July	August	September	October	November	November
California <sup>1</sup>	\$19.12	\$19.98	\$20.06	\$20.19	\$19.94	\$20.62	\$19.71
USDA <sup>2</sup>	\$19.80	\$21.49	\$21.47	\$21.78	\$21.39	\$21.81	\$21.04

<sup>1</sup> California mailbox price calculated by CDFA.

<sup>2</sup> All federal milk market order weighted average, as calculated by USDA.

### Milk Mailbox Prices for December 2007



In December 2007, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$21.04 per cwt., down \$0.77 from the previous month. The component tests of producer milk in December 2007 were: butterfat: 3.82%; protein, 3.15%; and other solids, 5.71%. On an individual reporting area basis, mailbox prices decreased in all Federal milk order reporting areas except Wisconsin, Minnesota, and Illinois, and ranged from \$23.96 in Florida to \$19.88 in New Mexico. In December 2007, the Federal milk order all-area average mailbox price was \$14.20, \$6.84 lower.

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The California Department of Food and Agriculture Dairy Marketing Branch publishes the California Dairy Review monthly. Please direct any comments or subscription requests to Karen Dapper at (916) 341-5988 or send an email to [dairy@cdfa.ca.gov](mailto:dairy@cdfa.ca.gov)

**Milk Pricing Information:**  
Within California 1-800-503-3490  
Outside California 1-916-442-MILK

**Dairy Marketing Branch:**  
Phone (916) 341-5988; Fax (916) 341-6697  
Website: [www.cdfa.ca.gov/dairy](http://www.cdfa.ca.gov/dairy)  
Email: [dairy@cdfa.ca.gov](mailto:dairy@cdfa.ca.gov)



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